
BUSINESS SERVICES

Offered by Selected U.S. Government
Agencies and the World Bank

Draft

*Bureau for Private Enterprise
U.S. Agency for International Development*

*Prepared for: AID/Bureau for Asia
and
the Near East*

*Prepared by: Arthur Young
and
SRI International*

*Sponsored by: Private Enterprise Development Support Project II
Project Number 940-2028.03
Prime Contractor: Arthur Young*

August 7, 1989



Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

TABLE OF CONTENTS

	PAGE
<u>U.S. Government Agencies</u>	
I. Trade and Development Program	
A. General Business Services	1
B. The TDP Program in the Philippines	2
II. Office of the U.S. Trade Representative	
A. General Business Services	6
B. The USTR Program in the Philippines	6
III. Export-Import Bank	
A. General Business Services	8
B. The Eximbank Program in the Philippines	10
IV. Overseas Private Investment Corporation	
A. General Business Services	12
B. The OPIC Program in the Philippines	17
V. Department of Agriculture - Foreign Agricultural Service	
A. General Business Services	20
B. The FAS Program in the Philippines	24
VI. Department of Commerce - International Trade Administration	
A. General Business Services	28
B. The ITA Program in the Philippines	30
<u>Multilateral Agencies</u>	
VI. International Finance Corporation	
A. General Business Services	31
B. The IFC Program in the Philippines	33
VII. World Bank - Multilateral Investment Guarantee Authority	
A. General Business Services	36
B. The MIGA Program in the Philippines	39

I. TRADE AND DEVELOPMENT PROGRAM

A. General Business Services

The Trade and Development Program provides U.S. investors with interest-free financing for feasibility studies and other planning services for projects in developing countries. TDP also funds project assessments for foreign governments for projects that, if implemented, are likely to result in large purchases of U.S. technology.

Each year, TDP lends approximately \$19 million to study 90 to 100 projects. Recent projects planned with TDP financing include irrigation in Algeria, coal gasification in Brazil, port development in Gabon, airport management in Pakistan, and electrical transmission in Thailand.

1. TDP Services

TDP finances five types of project planning services:

- o Definitional studies make an initial assessment of a public sector project at the early "idea stage," in order to determine whether or not to pursue further planning services.
- o Pre-feasibility studies are preliminary technical, economic and financial analyses to assess whether a project should be undertaken.
- o Feasibility studies determine the technical, economic, and financial feasibility of a project. A feasibility study includes an engineering analysis, a cost-benefit analysis, a cash-flow assessment, and a marketing plan.
- o Technology symposia bring together project planners with sources of U.S. technology, and often include site visits.
- o Technology orientation missions allow key host country decision-makers to visit potential U.S. suppliers.

2. TDP Financing Options

TDP pays either all, part, or none of the costs of project planning, depending on the circumstances. The program co-finances planning services for projects in which a private U.S. investor intends to have an equity participation. In those cases, TDP usually makes a 4-year, interest-free loan to cover 50

percent of the cost of the feasibility study. TDP fully funds feasibility studies for major public sector projects. If TDP coordinates technical assistance on a government-to-government basis, all costs are borne by the recipient country.

3. Criteria for Funding Eligibility

A project is eligible for TDP participation if:

- a. The project is high on the list of development priorities of the host country;
- b. The project involves substantial procurement of goods or services (i.e., evidence of likely minimum procurement from U.S. sources of 75 to 100 times the TDP expenditure within 5 years);
- c. Funding for project implementation is available and open to U.S. firms or agencies; and
- d. Planning services facilitate the use of U.S. technology. (TDP will not finance projects if it is likely that U.S. technology would be used without TDP involvement, or if U.S. technology is unlikely to be employed regardless of TDP involvement.)

A country is eligible for TDP planning services if it is a "friendly country" as determined by the Department of State, and is likely to allocate substantial resources for procurement of foreign goods and services for major development projects.

4. Additional Information

Inquiries concerning TDP should be directed to the following address: Trade and Development Program, Room 309, SA-16, Washington, D.C. 20523-1602, Phone: (703) 875-4357, Fax: (703) 875-4009.

B. The TDP Program in the Philippines

The Trade and Development Program operates in the Philippines through the Manila Office of the U.S. Foreign Commercial Service (FCS). The FCS acts as the agent for TDP in identifying potential projects for funding and in signing grant agreements, publishing CBD notices, approving contracts, forwarding client-approved invoices, and so forth. The identification and prioritizing of new public-sector projects is done through the National Economic Development Authority (NEDA), with which TDP has an operating agreement signed in September 1987. NEDA acts as the coordinating agency for all requests for TDP assistance from Philippine Government ministries and functional bureaus.

Under the terms of the operating agreement, TDP may either make a lump-sum grant to NEDA, which can then be sub-granted to specified Philippine Government ministries for projects mutually-agreed to by NEDA and TDP, or TDP can make a grant directly to an operating entity for any project having the prior approval of NEDA. After the signing of a grant agreement, FCS and/or TDP then works directly with the operating entity (i.e. grantee) in all contracting and disbursement matters for implementation of the project.

Active and prospective grants by TDP in the Philippines are described below:

1. Recently Completed TDP-funded Activities

- o Manila International Airport Master Plan (88322) - In January 1988, Dames and Moore completed a master plan for airfield facilities, passenger and cargo terminals and utilities for the Ninoy Aquino International Airport. The plan was financed by a \$300,000 TDP grant to the Manila International Airport Authority.
- o Philippines Investment Mission (87347) - In April 1988, approximately 10 representatives from the Philippines government and private sector visited New York, St. Louis, Dallas and San Jose to discuss investment opportunities in the Philippines with approximately 120 U.S. companies. Preparation of investment profiles, travel arrangements and solicitation of U.S. companies was done by the U.S.-ASEAN Center for Technology Exchange, Inc. under a \$51,750 grant from TDP and donations from U.S. firms currently doing business in the Philippines. Appropriate follow-up is now being discussed.

2. TDP Active Grants

- o Laguna Lake Hazardous Waste Management (87384) - The National Economic Development Authority (NEDA) has approved a \$350,000 TDP sub-grant to the Laguna Lake Development Authority (LLDA) to prepare a plan for management and reduction of hazardous waste in Laguna Lake near Manila. Proposals have been received from pre-qualified U.S. firms and are being evaluated.
- o Manila Port Bulk Handling Terminal (87383) - NEDA approved a \$430,000 TDP sub-grant to the Philippines Port Authority (PPA) to conduct a

feasibility study on alternative sites and equipment configurations for a bulk handling terminal for Manila port. The Asian Development Bank (ADB) will finance follow-on infrastructure design and the construction of certain facilities from an existing loan; it is expected that the private-sector entities will finance needed bulk-handling equipment. Proposals have been received from pre-qualified U.S. firms and are being evaluated.

- o Manila Solid Waste Management (87343) - TDP made a \$510,000 grant to the Department of Public Works and Highways (DPWH) to fund the preparation of a comprehensive municipal solid waste management plan for Metro Manila. DPWH selected Ashland Technology Corporation to prepare the plan, which will be completed in March 89.
- o Mariwasa Co-generation Power Plant - TDP signed a \$71,314 grant with I.T. Power to conduct a feasibility study for establishing a co-generation power plant on the grounds of the Mariwasa Tile Co. The project is supported by the First Philippines Holding Corporation (FPHC) which hopes to be a co-financier and contract operator of the plant. FPHC hopes that this project can also become the model for up to 25 other co-gen plants to be established in the Manila area. The final report is in preparation.
- o Geothermal Power Exploration and Development (88397) - TDP offered \$400,000 to the Philippine National Oil Company (PNOC) to finance a geothermal resource assessment and feasibility study of six sites in Luzon. Pre-qualification data has been requested from interested U.S. firms.
- o Modernization of the Philippine Railways (88398) - TDP has offered \$112,000 to the Philippine National Railroads (PNR) to finance studies of revival, expansion and modernization of selected segments in Luzon, Mindanao, Cebu and Panay.
- o Rice Husks Power Generation - TDP has agreed to cofinance a \$56,000 prefeasibility study by Agrilectric on the establishment in the Philippines of at least one plant for generating power from rice husk residues.

3. Prospective TDP Grants

- o Provincial Roads Rehabilitation/Maintenance - The World Bank has asked TDP to finance an assessment for the Department of Local Government (DLG) of rural roads in the 75 provinces of the Philippines. This would provide the primary data for a comprehensive plan to rehabilitate and maintain those roads, to be financed in part by a foreign exchange loan from the Bank. A TDP definitional mission (DM) has recommended a joint effort with DLG, USAID and TDP, to be financed in part by a \$340,000 TDP grant.
- o Rockwell Power Plant Rehabilitation - The Manila Regional Electric Company (Meraico) has asked TDP to finance the preparation of a plan for relocating, rehabilitating and repowering four steam turbines totalling 150 MW. A DM consultant will investigate the project further.
- o Hydropower Dam Design - The National Power Corporation wants TDP to fund a study on the impact of roller-compacted concrete technology on the projected cost of seven hydropower dams being considered for implementation. A DM consultant will investigate the project further on behalf of TDP.

TDP is in the process of getting more information on the prospective projects listed above as to the equipment likely to be purchased, the competitiveness of U.S. suppliers on that equipment and likely sources of financing for implementing the projects (i.e the Asian Development Bank or the World Bank).

II. OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE (USTR)

A. General Business Services

The Office of the United States Trade Representative (USTR) is the presidential office that coordinates US trade negotiations. As most of its activities are focussed on negotiations, it provides only limited direct services to the private sector. However, as the agency supervising the United States Generalized System of Preferences (GSP), USTR does provide some informational services explaining how to export to the United States under GSP. GSP is a system of preferential tariff duties reserved for certain goods from developing countries. GSP is designed to help developing nations compete against more developed nations in the markets of industrial nations. Most other industrial nations have GSP programs as well.

USTR publishes a GSP guidebook entitled, The Guide to the U.S. Generalized System of Preferences. This book explains how the United States GSP operates, which countries and which goods are eligible and how an exporter can gain access to the system. In addition, the guidebook provides a comprehensive listing of GSP tariffs for eligible goods. This book is available directly from USTR at the following address: 600 17th St., N.W., Washington, D.C. 20506, Phone: (202) 395-3350, Fax: (202) 395-3911.

In addition to the GSP guidebook, USTR provides occasional technical seminars overseas on GSP for private sector audiences. These seminars explain how to use GSP, what forms to fill out and how GSP coverage can be expanded. These seminars are organized on official request from foreign governments. Requests can be made through the U.S. Embassy, to USTR directly through Mr. Hiram Lawrence, Executive Director, GSP, at the above address or through the United Nations, which coordinates GSP informational services for member governments.

B. The USTR Program in the Philippines

USTR activities in the Philippines are limited to discussion and negotiation of trade policy. At present, USTR has on the table the following principal issues for discussion with the Government of the Philippines:

- o development and implementation of legislation to protect intellectual property rights (i.e. patents, copyrights);
- o reduction of taxes on imported cigarettes;
- o removal of restrictions on agricultural imports,

including corn, beef, pork, oranges, apples, and grapes;

- o reversal of restrictions on screen time available for non-Filipino films.

These issues, while important, are not considered so significant as to warrant USTR actions beyond an expression of general concern before the Government of the Philippines. It is anticipated that most issues will be resolved through GATT or the Uruguay Round.

III. EXPORT-IMPORT BANK OF THE UNITED STATES

A. General Business Services

The Export-Import Bank of the United States (Eximbank) is an independent U.S. government agency dedicated to facilitating the financing and purchase of US exports. Eximbank provides a wide range of programs to achieve this objective, including medium- and long-term direct loans to foreign purchasers and their financial intermediaries, medium- and long-term loan guarantees, and an array of credit insurance programs. In recent years Eximbank has initiated several programs to support the export efforts of small- and medium-scale US firms.

Except for the direct loan program, and in rare cases, the guarantee program, Eximbank services are contracted with either a bank or other financial intermediary providing export financing, or the exporter. The foreign buyer benefits from these programs indirectly, as Eximbank programs allow banks and firms to provide better financing terms.

In order to allow for effective financial planning, Eximbank will provide a "Preliminary Commitment" which details, in advance of a particular transaction, the terms and conditions of loan/guarantee support. This commitment is valid for 180 days and is renewable at the discretion of Eximbank.

Apart from the direct loan program and the guarantee program, the foreign buyer rarely contacts Eximbank directly, but rather would direct his supplier or bank to do so in order to facilitate the financing. All programs require an \$100 processing fee with application. Requests for applications and further information can be received from the Office of the Corporate Secretary at the following address: Eximbank, 811 Vermont Avenue, N.W., Washington, D.C. 20571, Phone: (202) 566-8871 and Fax: (202) 566-7524. Eximbank has no foreign offices.

1. Loan Programs

Eximbank has two loan programs, a direct loan program to foreign buyers of US goods, and an intermediary loan program to financial intermediaries. Both will cover up to 100 percent of the U.S. content, provided the total amount covered does not exceed 85 percent of the contract price of the transaction and the total U.S. content is not less than 50 percent of the contract price.

a. Direct Loans to Foreign Purchasers

Eximbank will lend directly to the foreign purchaser of US capital equipment and services with repayment periods of 2 to 10 years. Borrowers from low and middle income

countries, which would include most developing nations, are eligible for loans at less than market rates ranging from 8.3 to 9.65 percent per annum. Direct loans require evidence of foreign competition except for exports produced by small businesses where the loan amount is \$2.5 million or less and the term is seven years or less.

b. Intermediary Loans

This program provides fixed medium- and long-term loans to financial intermediaries to finance the export of US capital equipment and services. Loans of less than \$10 million are priced at rates from 0.5 to 1.5 percentage points less than a market rate established by multilateral negotiations, provided that the intermediary lends to the foreign borrower at the minimum multilateral fixed rates. Loans greater than \$10 million are lent at the multilaterally established market rate.

2. Guarantee Programs

a. Guarantee of Export Loans

Under this program, Eximbank will guarantee the repayment of fixed or floating rate export loans from U.S. or foreign lenders to foreign buyers of U.S. exports. The guarantee covers up to 100 percent of the financed portion and interest up to the Treasury rate plus 0.5 percentage points on fixed loans, and Prime minus 2 percentage points or LIBOR minus 0.25 percentage points for floating rate loans. Any responsible lender or borrower (foreign buyer) is eligible to purchase this guarantee, which is unconditional and freely transferable, based on pre-approval of documents. This program can be, and is often combined with an intermediary loan (usually for medium-term transactions.) The fee for the guarantee includes an up-front Exposure Fee based on term, country risk and category of borrower which is paid by the Exporter, but can be included in the export price. In addition, a Commitment Fee of 1/8 percentage point per annum is charged on the undisbursed balance of the guaranteed loan.

b. Working Capital Guarantee

Eximbank will guarantee export-related working capital loans to small and medium-sized U.S. based businesses. The guarantee can be for a single export-related loan or a revolving line of credit. With a Preliminary Commitment from Eximbank, the exporter can "shop" for a lender. The guarantee covers up to 90 percent of the principal amount and interest up to the U.S. Treasury rate plus 1 percent.

Its fee includes an up-front Facility Fee of 0.5 percent of the loan and a Quarterly Usage Fee of 1/4 of a percentage point of the average outstanding balance.

3. Insurance Programs

Eximbank, through its agent, the Foreign Credit Insurance Association (FCIA), offers a broad range of credit insurance policies to cover the risk of non-payment on export credit transactions such as sales of products and services, leasing of equipment and consignments in foreign countries.

FCIA policies cover political and commercial risks of non-payment on short-term (up to 180 days) and medium-term (181 days to 5 years) export receivables. Political risks include war risk, cancellation of an existing export or import license, expropriation, confiscation of or intervention in the buyer's business, or transfer risk. Commercial risks cover nonpayment for reasons other than specified political risk.

Information and applications for Eximbank Export Credit Insurance can be obtained from Eximbank directly at the above address or from FCIA offices in five major US cities listed below.

New York: (212) 227-7020
40 Rector St.
New York, NY 10006

Chicago: (312) 641-1915
20 North Clark Street, #910
Chicago, IL 60602

Houston: (713) 227-0987
Texas Commerce Tower
600 Travis, #2860
Houston, TX 77702

Los Angeles: (213) 687-3890
Wells Fargo Center, #2580
333 South Grand Avenue
Los Angeles, CA 90071

Miami: (305) 372-8540
World Trade Center
80 Southwest 8th Street
Miami, FL 33130

B. The Eximbank Program in the Philippines

Over the past two years, Eximbank has made a number of loan offers in the power and telecommunications areas to large US

businesses on competitive bids for projects in the Philippines. All of the bids, however, were lost by the US businesses involved. Consequently, the Export-Import Bank has added no new loans to its Philippine loan portfolio over the last two years.

Eximbank's current exposure in the Philippines is \$1.1 billion. Of this amount, approximately two thirds are loans and one third are guarantees (this distribution excludes nuclear power projects). The loans and guarantees have gone to projects in the following areas: nuclear power; thermal power; aircraft; steel mills; submarines; and cable.

Eximbank's current portfolio in the Philippines includes the following (amounts provided are estimates):

- o National Power Company, nuclear power project, \$650 million
- o National Power Company, thermal power project, \$20 million
- o Philippine Airlines, DC 10 aircraft, \$10 million
- o National Steel Corporation, steel mill, \$85 million
- o Philippine Long Distance Telephone, submarine cable project, \$41 million
- o FCIA insurance, primarily short-term transactions, \$40 million
- o Medium-term assorted small industrial loan guarantees, \$10-15 million
- o Rescheduled credits, \$200+ million

Eximbank is currently considering loans for projects in the power and telecommunications areas.

IV. OVERSEAS PRIVATE INVESTMENT CORPORATION

A. General Business Services

The Overseas Private Investment Corporation (OPIC) provides qualified businesses in over 100 developing countries with political risk insurance; loans and loan guarantees; pre-investment information and assistance; and special programs for contracting, exporting, energy exploration and leasing. Each of these programs is described below.

1. Political Risk Insurance

OPIC insures against inconvertibility; expropriation; and war, revolution, insurrection and civil strife. Inconvertibility coverage protects an investor against the inability to convert local currency into U.S. dollars. Coverage for expropriation compensates an investor in the case of confiscation or nationalization of an investment without fair compensation. Civil strife coverage, protecting an investor against losses due to politically motivated violent acts (but not student or labor riots) is available as a rider to war coverage. Typical rates are illustrated in the following table:

<u>Coverage</u>	<u>Annual Base Rate per \$100 of Coverage</u>
Inconvertibility	\$0.30
Expropriation	\$0.60
War, Revolution, Insurrection	\$0.60
Civil Strife Rider	\$0.15

Since its inception, OPIC has settled more than 220 insurance claims totalling more than \$466 million; it has denied only eight percent of the claims received.

An Insurance Registration Form is included on the following page.

2. Loans and Loan Guarantees

OPIC loans, available only for ventures sponsored by, or significantly involving, U.S. small businesses or cooperatives, usually range from \$100,000 to \$6 million. A small business is defined as a firm with annual gross sales below \$120 million. Interest rates charged vary according to a project's financial and political risk.

REQUEST FOR REGISTRATION FOR POLITICAL RISK INVESTMENT INSURANCE

PRIVILEGED BUSINESS INFORMATION OVERSEAS PRIVATE INVESTMENT CORPORATION

(An Agency of the United States Government)

Washington, D. C. 20527

Telephone (202) 457-7059

Registration letters will not be issued for any investment which has been made or irrevocably committed prior to the date of this request. An investor wishing to proceed to make a commitment but also to protect its eligibility for insurance coverage with respect to a new investment should notify OPIC of its intention to invest by submitting this form to OPIC. A registration letter issued by OPIC does not constitute an assurance that political risk insurance will be issued. For such insurance to be issued the investor must submit a complete application for insurance (wherein the information submitted below may, if necessary, be amended) and the investment must meet all statutory and policy requirements.

1. Applicant:
 Company Name _____
 Address _____
 City _____ State _____ Zip Code _____ Tel. () _____
 Name of parent company, if any _____
 Applicant's most recent consolidated annual sales \$ _____ Net Worth \$ _____
 Company Contact _____ Title _____ Tel. () _____

2. Broker and/or Authorized Representative:
 Do you wish to designate a U.S. licensed broker or agent as the broker of record for this project and/or appoint an Authorized Representative with whom you would like OPIC to deal? (Note: do not designate any individual associated with your firm) Broker only Authorized Representative only Broker and Authorized Representative
 Name _____ Title _____
 Company Name _____
 Address _____
 City _____ State _____ Zip Code _____ Tel. () _____

3. Applicant is:
 U.S. citizen.
 Entity organized and existing under the laws of the U.S. or any State or Territory thereof, and at least 51% beneficially owned by U.S. citizens (organized or incorporated under the laws of the State of _____), or
 Foreign subsidiary 95% or more owned by such a U.S. entity

4. Country of Investment: _____

5. Foreign Enterprise (Recipient of the proposed investment)
 A Name _____ (Local Contact)
 Street _____
 City _____ Country _____
 B The Foreign Enterprise is
 New or
 Existing and being improved or expanded. (If any part of the investment is for acquisition of any existing business assets or stock, explain in detail in an attached statement.)
 C Form of business organization and place of organization: _____

6. Investment to be made by applicant:

Amount	Form	Coverage Requested
\$ _____	Equity	Inconvertibility ()
consisting of	Loan/Loan Guaranty	Expropriation ()
Cash \$ _____	Technical Assistance	War, Revolution, Insurrection and Civil Strife ()
Machinery* \$ _____	Bid, Performance or Advance Payment Guaranties	Business Income ()
Other (Describe) \$ _____	Other (Describe) _____	

*New ()
 Used ()

7. Project: (Briefly describe the nature of the project to which the investment will be applied, including product or service rendered)

 Project Location _____

8. What investment, if any, will the host government have in the Foreign Enterprise?

9. Will more than 50% of total project cost be expended in developed countries other than the United States?
 _____ Yes _____ No

10. Will the investment or project cause, or be associated with, the replacement or reduction of U.S. production or employment?
 _____ Yes _____ No

11. OPIC provides various financial services to qualifying foreign investments, including direct financing and loan guaranties. Do you wish more information about these financial services?
 _____ Yes _____ No

I hereby affirm that no portion of this investment has been made or irrevocably committed as of the date appearing below

Applicant: _____ By: _____
 Date: _____ Title: _____

In contrast, loan guaranties are available to all businesses regardless of size. The guaranty, covering both commercial and political risks, can range from \$1 million to \$50 million. Interest rates are comparable to those of other U.S. Government-backed issues. In addition, OPIC charges the borrower a guaranty fee that ranges from 1 1/2 to 2 1/2 percent, depending on a project's commercial and political risk, not its country of location.

Loan and loan guarantee repayment is normally made in equal, semi-annual principal payments following a suitable grace period. Maturity generally ranges from 5 - 12 years.

To obtain OPIC financing, the venture must be commercially and financially sound, within the demonstrated competence of the proposed management, and sponsored by an investor with a proven success record in the industry.

OPIC can finance up to 50 percent of a new venture, and more of an expansion, but the debt/equity ratio should remain close to 60/40.

3. Pre-Investment Assistance

OPIC provides interested firms with information on the business environment in developing nations. The Investor Information Service (IIS) provides, for a nominal fee, information kits on over 100 countries, including materials covering the economies, trade laws, business regulations, political conditions, and investment incentives.

4. Investment Opportunity Matchmaking

OPIC sponsors investment missions to bring potential U.S. investors to developing nations. Host-country participants can utilize the missions to develop possible joint venture, subcontracting, or trading relationships.

In addition, OPIC operates a computer data system to match overseas investment opportunities with potential U.S. investors. Known as the Opportunity Bank, the database contains information on more than 4,000 potential U.S. investors seeking opportunities overseas, as well as 1000 profiles of investment projects, located in developing countries, for which a joint venture partner is sought. Registration is free, and a modest fee is charge for "match" requests. To participate in the Opportunity Bank, fill out and return the Opportunity Bank Company Profile on the following page.

Opportunity Bank Company Profile

1615 M Street, N.W., Washington D.C. 20527
202 457-7200



The following data will allow us to register your firm in our Opportunity Bank. All information provided may be made available to other Opportunity Bank clients requesting investment data related to your interests.

Please print or type.

Today's Date _____

Company Contact:

Name _____

Title _____

Company _____

Year Company Established _____

Address _____

City _____

State _____ Zip _____

Telephone (____) _____ Telex/Cable _____

Parent Company _____

1. Please check the following selections which best indicate your current situation. Is your company a . . .

- | | YES | NO |
|-------------------------------|--------------------------|--------------------------|
| a) current OPIC client? | <input type="checkbox"/> | <input type="checkbox"/> |
| b) past OPIC client? | <input type="checkbox"/> | <input type="checkbox"/> |
| c) current overseas investor? | <input type="checkbox"/> | <input type="checkbox"/> |
| d) current overseas exporter? | <input type="checkbox"/> | <input type="checkbox"/> |

2. List the major products and/or services of your company:

3. List all countries in which your company is active, and those in which it has future interest:

Current active countries:

Future interest countries:

4. List nature of your overseas investment activities:

- | | |
|--|---|
| <input type="checkbox"/> Equity Investment | <input type="checkbox"/> Equipment Supply |
| <input type="checkbox"/> Contracting of Services | <input type="checkbox"/> Technical Assistance |
| <input type="checkbox"/> Licensing | <input type="checkbox"/> Leasing |
| <input type="checkbox"/> Turnkey Project | <input type="checkbox"/> Exporting |
| <input type="checkbox"/> Management Assistance | |

5. Describe your project interests:

6. Please check the amount available to invest in a project:

- | | |
|---|---|
| <input type="checkbox"/> \$100,000 or less | <input type="checkbox"/> \$1 to \$5 million |
| <input type="checkbox"/> \$100,000 to \$300,000 | <input type="checkbox"/> \$5 to \$10 million |
| <input type="checkbox"/> \$300,000 to \$1 million | <input type="checkbox"/> \$10 million or more |

7. Your company's annual sales as of _____ month _____ year:

- | | |
|---|--|
| <input type="checkbox"/> \$500,000 or less | <input type="checkbox"/> \$10 to \$50 million |
| <input type="checkbox"/> \$500,000 to \$1 million | <input type="checkbox"/> \$50 to \$125 million |
| <input type="checkbox"/> \$1 to \$10 million | <input type="checkbox"/> \$125 million or more |

Your company's annual net worth as of _____ month _____ year:

- | | |
|---|--|
| <input type="checkbox"/> \$500,000 or less | <input type="checkbox"/> \$10 to \$50 million |
| <input type="checkbox"/> \$500,000 to \$1 million | <input type="checkbox"/> \$50 to \$125 million |
| <input type="checkbox"/> \$1 to \$10 million | <input type="checkbox"/> \$125 million or more |

8. Please check the number of employees you have in your company:

- | | |
|-------------------------------------|--------------------------------------|
| <input type="checkbox"/> 50 or less | <input type="checkbox"/> 300 to 500 |
| <input type="checkbox"/> 50 to 150 | <input type="checkbox"/> 500 to 750 |
| <input type="checkbox"/> 150 to 300 | <input type="checkbox"/> 750 or more |

Thank you for your cooperation.

5. Special Programs

OPIC offers contractors and exporters political risk insurance against the arbitrary or unfair drawing of letters of credit. Contractors and exporters may also obtain coverage against a government owner failing to settle a dispute in accordance with contract provisions. Special insurance and finance programs are also available for U.S. investors involved in oil and gas, oil shale, geothermal, mineral, solar and other energy projects, as well as for U.S. investors involved in international leasing.

6. Eligibility Criteria for OPIC assistance

OPIC programs are available only if:

- a. The investor's project is a new venture or an expansion of an existing enterprise;
- b. The project is located in a developing country where OPIC operates;
- c. The project will assist in the social and economic development of the host country;
- d. The project is approved by the host government;
and
- e. The project is consistent with the economic interest of the U.S. and will not have a significant adverse effect on the U.S. economy or U.S. employment.

In addition, the following general restrictions and guidelines apply.

- o Insurance: OPIC can only issue insurance to "eligible investors," who are defined as citizens of the United States; or U.S. firms of at least 50 percent U.S. ownership; or foreign firms at least 95 percent owned by investors eligible under one of the other two criteria. OPIC will insure no more than 90 percent of an investment plus earnings, thus the investor must bear 10 percent of the risk. OPIC insurance is not available retroactively. Investors must obtain an OPIC insurance registration letter before the investment has been made or irrevocably committed.
- o Finance: Direct loans are issued only for investment projects sponsored by, or significantly involving, U.S. small businesses or cooperatives. Loan guaranties are issued to U.S. lenders having over 50 percent U.S.

ownership, or foreign lending institutions that are at least 95 percent U.S. owned.

6. Additional Information

For more information about OPIC, its programs and services, write or phone the Information Officer at the following address: 1615 M Street, N.W., Washington, D.C. 20527, Phone: (202) 457-7010 or (800) 424-6742.

B. The OPIC Program in the Philippines

OPIC has an active program in the Philippines, which includes political risk insurance, financing (loans and loan guarantees), investment missions, and other specialized investment advisory services.

In 1986, OPIC made a \$1.2 million loan to TA Philippines, S.A. to help establish a facility for manufacturing plastic pressure-sensitive tapes. It was a joint venture between a California adhesives manufacturer and a Philippine corrugated box manufacturer. The project has employed more than 50 workers, transferred new technology to the country, and generated significant foreign exchange earnings. Most of OPIC's recent projects in the Philippines, however, involve insurance rather than financing. This is in line with OPIC's overall portfolio.

With regards to insurance, the Philippines ranks among the top recipients of OPIC insurance. In 1988, the Philippines was the country with the most inconvertibility insurance, the second in terms of expropriation insurance, and the third in terms of political violence insurance. A list of OPIC's insurance projects in the Philippines in the period FY 1987 to 1989 is provided on the next page. Most of these projects involved expansion of current investments, as opposed to new investments from the United States.

In addition, OPIC has sponsored a number of important investment missions to the Philippines in recent years to allow participants to obtain first-hand information about investment opportunities through personal meetings with business leaders and key government officials. In February, 1987, for example, OPIC sponsored the first official US government/business trip to the Philippines since the overthrow of the Marcos regime. The mission, which was co-sponsored by the Philippine Ministry of Trade and Industry, gave 27 executives from 21 US companies an

OPIC INSURANCE PROJECTS IN PHILIPPINES
FY 1987 - 1989

<u>Investor</u>	<u>Project Description</u>	<u>Total Investment</u>	<u>Insured Investment</u>
First Philippine Cap. Fund	Debt-equity conversion	\$67,500,000	\$22,500,000
TA Industries Inc.	Pressure sensitive tape	\$ 960,000	\$ 864,000
Hershey International Ltd.	Chocolate products	\$ 165,700	\$ 149,130
The Gillette Company	Consumer products	\$ 1,400,000	\$ 1,260,000
Hormel International Corp.	Prawn aquaculture	\$ 345,235	\$ 310,712
Del Monte Corporation	Pineapple concentrate	\$ 5,600,000	\$ 5,040,000
Citibank, N.A.	Loan loss reserves	\$35,524,559	\$31,972,103
Citibank, N.A.	Capital expansion	\$ 6,345,413	\$ 5,710,871
American Express Bank Ltd.	Banking	\$17,031,280	\$15,328,152
Aquatic Farms Capital Ltd. PA	Shrimp hatchery	\$ 281,948	\$ 198,000
Hugh J. Schwartzberg	Low-cost prefab. housing	\$ 1,460,000	\$ 1,314,000
James P. Conway	Data entry services	\$ 366,250	\$ 329,625
Weibauer, Lance A.	Hobby airplanes	\$ 150,000	\$ 135,000
Citibank, N.A.	Banking	\$29,777,778	\$26,800,000
Cargill, Inc.	Hybrid seeds	\$ 611,643	\$ 550,479
Maxim Integrated Products	Testing equipment	\$ 313,067	\$ 281,760
Cargill, Inc.	Hybrid seeds	\$ 386,500	\$ 347,850
Intel Corporation	Integrated circuits	\$15,000,000	\$13,500,000
Baby Togs, Inc.	Infantswear	\$ 1,800,000	\$ 1,620,000
Baby Togs, Inc.	Infantswear	\$13,099,000	\$11,789,100
Citibank, N.A.	Banking	\$ 2,223,000	\$ 2,000,700
General Foods Corporation	Desiccated coconuts	\$ 3,200,000	\$ 2,880,000
Citibank, N.A.	Branch bank	\$ 6,332,369	\$ 5,699,132
Hershey International Ltd.	Chocolate products	\$ 720,000	\$ 648,000

opportunity to meet with President Aquino and top Philippine economic officials to explore investment opportunities, obtain information about specific investment projects proposed by Philippine businessmen seeking US partners, and make project-site visits. Another important investment mission was sponsored by OPIC and the US-Philippine Business Committee in December, 1988.

Prior to that, during Philippine President Corazon Aquino's first official visit to the United States in 1986, OPIC spearheaded a seminar in Washington, D.C. on investment opportunities in the Philippines. More than 500 business executives from around the country attended the program to hear President Aquino and five of her key ministers review the newly-initiated incentives for increasing US private investment in the country.

V. DEPARTMENT OF AGRICULTURE

A. General Business Services

The following discussion outlines the services that the Department of Agriculture provides to businesses.

1. Inform Producers of US Health Regulations

The Animal and Plant Health Inspection Service (APHIS) provides potential exporters with valuable information on health and sanitation standards for animals, plants, and agricultural products entering and exiting the U.S. market. The Agricultural Research Service (ARS) also publishes studies on insect control, controlling pesticide residues, and the best ways to select, pack and ship for export.

A list of APHIS publications is available from USDA/APHIS/PDBM, 6505 Bellcrest Rd., G-110, Hyattsville, MD, 20782, USA. Phone: (301) 436-8413, Fax: (301) 436-8445.

To receive information about ARS publications and reports, write or call: Information Staff, Agricultural Research Service, U.S. Department of Agriculture, Room 107, Building 005, BARC-West, Beltsville, MD, 20705, USA. Phone: (301) 344-2264.

2. Provide Credit and Credit Guarantees for Commodity Purchases

The Commodity Credit Corporation (CCC) assists foreign buyers to purchase U.S. farm commodities from private U.S. exporters, with financing of from 3 - 10 years from U.S. banks at commercial rates.

As of September 30, 1987, CCC had \$15.1 billion in loans outstanding for the purchase of crops for both domestic and foreign sale. Commodities available for sale with CCC financing usually include wheat, corn, soybeans, cotton, rice, tobacco, milk and milk products, wool, mohair, barley, oats, sorghum, rye, honey, peanuts and sugar. No processed products are available (with the exception of dairy products). Credit guarantees may be available for additional commodities on a case-by-case basis.

For more information on purchasing commodities, contact the General Sales Manager, Foreign Agricultural Service, Room 4509-South Building, U.S. Department of Agriculture, Washington, D.C. 20250, U.S.A. Phone: (202) 447-3224.

3. Provide Access to Trade Opportunities

Located in 72 posts covering more than 100 countries, the Foreign Agricultural Service (FAS) assists foreign buyers and potential buyers by providing up-to-date information on trade opportunities. A weekly publication, "Buyer Alert," announces commodities available for sale by U.S. exporters, including complete product specifications, a bank reference, and information on how to contact the seller. A second weekly, "Export Briefs," (for domestic distribution only) lists products sought by foreign buyers. The FAS receives and disseminates approximately 4,000 trade leads each year. Electronic access to trade leads is also available. "U.S. Supplier Lists" are also available.

To list a request to purchase a product, contact the Foreign Agricultural Service representative at the nearest U.S. Embassy. To subscribe to publications, fill out and return the attached AIMS Subscription Request Form, or call (202) 447-7115, or write to Agricultural Information and Marketing Services, Room 4951, South Building, Foreign Agricultural Service, USDA, Washington, DC, 20250-1000, USA. For more information on this service, contact the Foreign Agricultural Service at (202) 447-3031 or 447-3416.

4. Provide Timely Market Research Information

The Economic Research Service offers timely analytical and statistical periodicals that can be used for market research, and to estimate trends in prices and demand for particular products or commodities in the U.S. and world markets. A partial publications listing is provided below.

- o "National Food Review" discusses the latest development in food prices, product safety, nutrition programs, consumption patterns, and marketing.
- o "Foreign Agricultural Trade of the United States" lists the quantity and value of U.S. farm exports and imports, and includes price trends.
- o "Situation and Outlook Reports" analyze and forecast many major agricultural commodities, including aquaculture, cotton and wool, dairy, feed, fruit and tree nuts, livestock and poultry, oil crops, rice, sugar and sweetener, tobacco, vegetables, and wheat.
- o "National Agricultural Statistics Service Periodicals" estimate production, stocks, utilization, and prices of dozens of agricultural commodities, most at a product-specific level.

PLEASE COMPLETE THIS FORM AND MAIL TO:

**AIMS REGISTRATION/SUBSCRIPTION
REQUESTS**

AIMS—Room 4951—South Building
Foreign Agricultural Service—USDA
Washington, DC 20250-1000

NAME AND ADDRESS INFORMATION

(AREA CODE) TELEPHONE NUMBER	TELEX NUMBER
NAME (Please X whichever applies) _____ Mr. _____ Mrs. _____ Ms. _____ Dr.	

TITLE _____

FIRM NAME	P.O. BOX NUMBER
-----------	-----------------

STREET ADDRESS _____

CITY	STATE	ZIP CODE
------	-------	----------

1. **EXPORT BRIEFS** (Cost \$75.00)

_____	_____
Number of years	Total Cost
2. **BUYER ALERT** Complete the enclosed product announcement form.
3. **FOREIGN BUYER LISTS** (Cost \$15.00 ea.)

_____	_____
Number of lists	Total Cost

Country Lists

Specify Country(ies)	Foreign Data Base	Historical Trade Leads	Both

If additional space is needed please attach another sheet.

Product Lists

Please make selection(s) from the enclosed Commodity Code booklet. Specify whether you require a Foreign Database report or an Historical Trade Lead list. Return the entire booklet with your selections.

4. U.S. SUPPLIER LISTS (Cost \$15.00 ea.)

Number of lists

Total Cost

Product Lists

Specify Product(s)

SIC Code

If additional space is needed please attach another sheet.

PAYMENT INFORMATION

Check or Money Order. Make payable to the FOREIGN AGRICULTURAL SERVICE—USDA

Credit Card Charge. Visa MasterCard Account No. _____

Mail to address on the front of the form Expiration Date: _____

SIGNATURE

FOR OFFICE USE ONLY

Check/Money Order No. _____

Amount of Payment \$ _____

Services Requested: 1) _____ 2) _____ 3) _____

Date Received _____

Initials _____

- o "Food Consumption" lists per capita consumption and food expenditures, by commodity, 1966 - 87.
- o "AgExporter" provides information on foreign buying trends, new competitors and products, trade policy development, and promotion activities around the world.

For more information on these services, contact the Economic Research Service at (202) 786-1494. To order free publications catalog, call (within the U.S.) (800) 999-6779, or write to ERS-NASS, P.O. Box 1608, Rockville, MD, 20850, USA.

5. Assure Quality of Food Imported from the U.S.

The Food Safety and Inspection Service assures that meat and poultry products are properly labeled and U.S. inspected and approved. The Food Quality Acceptance Service assures, on a fee basis, that any product shipped overseas meets specific contract specifications.

For more information on the Food Safety and Inspection Service, write or call: Deputy Administrator, Food Safety and Inspection Service, U.S. Department of Agriculture, Room 341-E, Administration Building, Washington, DC, 20250, USA. Phone: (202) 447-3473.

For additional information on the Food Quality Acceptance Service, contact:

Dairy:	(202) 382-9382
Poultry and Egg:	(202) 447-3271
Fruit and Vegetable:	(202) 447-5840
Meat:	(202) 382-1113

B. The USDA/FAS Program in the Philippines

The Foreign Agricultural Services (FAS) has supported the following main types of programs in the Philippines:

1. Export Credit Guarantee Programs

This program provides US exporters of agricultural products with a guarantee that they will be repaid for short- and medium-term, commercial export financing provided by foreign buyers. The program protects US businesses against commercial or noncommercial risk if the importer's foreign bank fails to make payment. Guarantees are issued for a maximum of 10 years.

In the last four years, however, FAS has extended no export credit guarantees to the Philippines because the government of

President Corazon Aquino has preferred to rely on other sources of assistance. Nevertheless, the Government of the Philippines recently expressed interest in renewing the program, and FAS officials are optimistic that the export credit guarantee program will begin to operate in the Philippines again.

2. Targeted Export Assistance Program (TEA)

The TEA program assists US agricultural producers to finance promotional activities for US products that are disadvantaged by the unfair trade policies or practices of competitor countries. The program has been approved for a wide variety of commodities in almost every region in the world. It uses government stocks to partially reimburse agricultural organizations for specific foreign market development projects.

The TEA program, which was authorized in 1985 for a 5 year period, has been an active FAS program in the Philippines. In 1989, FAS supported the following associations in their promotional and market development activities in the Philippines:

- o California Raisin Advisory Board, \$90,000 for bakery promotion; consumer promotion advertising; evaluations; and branded promotion.
- o National Potato Promotion Board, \$50,000 for joint promotion efforts.
- o Pandol Brothers Inc., \$47,500 for promotion in Japan & the Philippines.
- o US Wheat Associates, Inc., \$186,000 for Philippines bakers training; pilot military wheat food center; evaluation; videos on quality specifications; and diverter samplers.

3. Foreign Market Development Program

The FAS agricultural market development program is carried out in cooperation with over 50 trade-oriented nonprofit commodity associations known as market development cooperators. These cooperators, with FAS assistance, conduct overseas promotional activities. Projects are designed to acquaint potential foreign customers with US agricultural goods, to show how they might be used, and to stimulate demand.

In 1989, FAS provided assistance to the following market development cooperators for promotional activities in the Philippines:

- o American Soybean Association, \$40,119 for a soybean program and a soybean meal program.
- o Cotton Council International, \$83,658 for cotton seminar; tour; market review travel; information production and distribution; and foreign market consultant.
- o Leather Industries of America, \$10,500.
- o National Renderers Association, \$6,360 for representation; trade and technical information service; and regional trade services.
- o US Hide, Skin & Leather Association, \$4,380 for participation Hong Kong fair.
- o US Meat Export Federation, \$15,800 for technical and trade servicing and generic beef menu promotion.
- o US Wheat Associates, \$118,440 for Bakers Asian exposure program; American Institute of Baking training; advance milling short course; aquaculture trade service; bakers bulletin; US Wheat technical staff; bakers seminars; AIB sanitation seminar; technical consultants; industry trade servicing; aquaculture feeding trials; short course; pamphlets translation; baking exposition 89; aquaculture seminar; pond aquaculture short course; expansion demonstrations; crop survey; US Wheat newsletter; cargo sampling program; operative millers convention; and research.

4. Agricultural Trade and Development Missions Program

This program, which was authorized by Congress in 1987, is designed to encourage greater participation by the US private sector and foreign countries in US agricultural trade and development activities. By offering specially designed combinations of US trade and food assistance, the program aims to help countries develop economically while building future customers for US agricultural exports.

Missions, which are chaired by the Secretary of Agriculture, include representatives from the US Department of Agriculture, the US Department of State, and the US Agency for International Development, as well as four to six representatives of the US private sector. A report on the findings and recommendations of each mission must be presented to the President and Congress within 60 days after the mission is completed.

Any country may participate in the program if it is eligible to participate in established US agricultural trade and food aid

programs, including concessional sales of commodities authorized by Public Law 480 (P.L. 480), export credit guarantees authorized by the Food for Peace Law of 1966 and the Commodity Credit Corporation Charter Act, and the export enhancement program authorized by the Food Security Act of 1985. The Philippines was selected in 1988 and a mission visited the country on May 18-20 with the following key objectives:

- o to establish a policy dialogue on market access and trade issues with the Government of the Philippines and key private industry officials;
- o to consider cooperative trade and development initiatives or opportunities as appropriate;
- o to review the viability and implementation of US government programs in the host country;
- o to ensure a means for effective follow-up to the Mission's activities; and
- o to prepare a comprehensive report.

VI. DEPARTMENT OF COMMERCE - INTERNATIONAL TRADE ADMINISTRATION

A. General Business Services

The International Trade Administration (ITA) is the chief source of export assistance provided by the US Government to US business. ITA's export services are particularly useful for small- and medium-sized firms that lack complex marketing organizations. The services provided are practical and information-oriented, as opposed to financial, and focus on securing foreign customers for a US company's products or services.

ITA has a domestic arm and a foreign arm. The domestic arm is comprised of 47 district offices and 21 branch offices in cities throughout the United States and Puerto Rico; the foreign arm consists of about 122 offices worldwide.

1. ITA District Offices

A district office provides a company with access to all assistance available in the Commerce Department. This assistance consists primarily of practical information about foreign market opportunities, although district offices also can refer companies to other government and private sector export services.

Each district office can assist a company with the following types of information:

- o trade and investment opportunities abroad
- o foreign markets for US products and services
- o services to locate and evaluate foreign buyers and representatives
- o financing aid for exporters
- o international trade exhibitions
- o export documentation requirements
- o foreign economic statistics
- o US export licensing and foreign nation import requirements
- o export seminars and conferences

2. The Foreign Commercial Service (FCS)

Operating in 66 U.S. embassies around the world, the Foreign Commercial Service (FCS) of the International Trade Administration disseminates information, including specifications and prices, on U.S. products. Most FCS offices have catalogues displaying a wide variety of agricultural and industrial goods. In addition, FCS staff can provide the following services to help US firms sell overseas:

- o background information on foreign companies
- o assistance in locating agents and representatives overseas
- o credit checks of prospective trading partners
- o market research
- o business counseling
- o assistance in making appointments with key buyers and government officials
- o representations on behalf of companies disadvantaged by trade barriers

3. Trade Development Unit

The Trade Development Unit, within the International Trade Administration, promotes the trade interests of industry sectors and offers information on markets and trade practices worldwide. The unit is divided into seven sectoral groups: Aerospace, Automotive Affairs and Consumer Goods, Basic Industries, Capital Goods and International Construction, Science and Electronics, Services, and Textiles and Apparel.

Trade Development also participates in trade fairs and other promotional activities. Inquiries about upcoming trade fairs should be directed to Trade Development at 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230, or by calling (202) 377-1461.

4. Additional Information

For additional information, contact ITA at its headquarters (14th Street and Constitution Avenue, N.W., Washington, D.C. 20230), the nearest district office, or the FCS office located in the nearest US Embassy.

B. The ITA Program in the Philippines

The International Trade Administration provides the same practical information services on the Philippines that it does for other countries.

VII. INTERNATIONAL FINANCE CORPORATION

A. General Business Services

The International Finance Corporation (IFC), an affiliate of the World Bank, is the largest source of direct project financing for private investment in the developing world. Its primary objective is to raise capital needed for business ventures in developing countries by serving as a bridge between international capital markets and local businessmen. The IFC will participate financially in a minority position, through a broad array of financial instruments, but more importantly works to obtain the participation of other investors. The IFC does not compete with or replace private initiative or capital, but rather works to raise funds for viable projects that otherwise would be held back because adequate funding is unavailable.

1. Eligibility

The primary criteria for IFC participation are that the project have realistic prospects of being profitable and that it will benefit the economy of the host country (financial and economic profitability). Any type of private enterprise in a developing country that meets IFC investment criteria is eligible. The IFC will also participate in joint ventures between private and government entities, but each case is evaluated regarding the extent of government control, the nature of the enterprise, efficiency of management and the possibility of increasing the extent of private ownership and control in the future.

In addition to financial and economic profitability, IFC investment criteria are also based on the ownership structure of the enterprise. IFC will never invest alone, and will not finance any venture for which, in its opinion, sufficient private capital can be obtained on reasonable terms. Immediate or eventual local participation is required. Finally, the IFC attached great importance to the extent of the sponsor's participation in the share capital of an enterprise.

2. IFC Direct Investment Programs

IFC investments for its own account are usually limited to no more than 25 percent of the project cost, and generally range between \$1 and \$50 million. However, investments less than \$1 million are possible for projects in smaller and least developed countries, pilot operations, and promotional companies.

Possible IFC investment vehicles include both equity and loans. Normally, the IFC prefers to make both an equity investment and loan, but when appropriate, will provide just a loan or just equity. Equity investments are limited to 25 percent of the

share capital. The IFC typically seeks to sell its equity share once an investment matures. Loans, usually denominated in U.S. dollars, are offered at both fixed and flexible rates. Rates are determined on a commercial basis. Terms and grace periods are designed to accommodate the cash flow needs of each venture. Overall terms usually range from 7 to 12 years.

3. Financing and Technical Services

In addition to its own financial contribution to private sector projects the IFC provides services to help ventures obtain needed capital from other sources, and provides a range of technical services. The IFC helps to structure financial packages, and acting as a catalyst, brings in other lenders and shareholders. In many cases, it also coordinates financing from foreign and local banks, export credit agencies and other institutions. In short, the IFC operates like an international investment bank specializing in the private sector of developing countries.

a. Syndication

The IFC has developed a participation instrument to facilitate the syndication of large loans. Under the participation agreement, there is a single agreement between the borrower and the IFC. However, the loan has two parts, one funded by the IFC subject to IFC conditions, the other funded by participants and subject to their particular conditions, with each participant entering into a separate agreement with the IFC. Although the participant (usually a bank) accepts the credit risk on their funds, any default by the borrower is treated as a direct default to IFC. Since default to an international agency such as the IFC can have more serious repercussions than default to a private institution, the possibility of default due to transfer or political risk is lessened.

b. Underwriting and Contingent Financing

The IFC can provide underwriting services in support of both public offerings and private placements of shares, or other corporate securities. In certain circumstances, the IFC can also provide contingent financing, full or partial guarantees of other sources of financing, and help arrange liability swaps.

c. Technical Assistance

Apart from the sizeable technical assistance provided in the course of appraising and monitoring individual projects, the IFC has several specific technical assistance programs. These include the Africa Project Development Facility (APDF) and the Caribbean Project Development Facility, which help

local businesses in these areas develop sound investment projects and find financing. The IFC also provides advice on a fee basis, independently of project financing. These services include assistance with corporate restructuring, privatization and business plan evaluation.

4. Application Procedures

There is no standard form of application for IFC financing. A company or entrepreneur, foreign or domestic, can approach IFC directly by requesting a meeting or by submitting preliminary project or corporate information. The IFC can be contacted at its headquarters in Washington (14th Street and Constitution Avenue, N.W., Washington, D.C. 20230), at 10 regional offices in developing countries, including Abidjan, Bangkok, Cairo, Casablanca, Istanbul, Jakarta, Lagos, Manila, Nairobi and New Delhi, or at offices in major international capital markets, including Tokyo, London and Paris. After a preliminary review, the IFC will request a detailed feasibility study or business plan to determine whether to appraise the project.

An appraisal team is sent out to fully evaluate the technical, financial and economic aspects of the project. An appraisal team includes an investment officer with expertise of the country in which the project is located, and an engineer with the relevant technical expertise. The process entails visits to the proposed site of the project and extensive discussions with the project sponsors. Based on the appraisal team's recommendations, senior IFC management will determine whether financing is merited. If financing is approved, legal documents are drafted. Outstanding issues are negotiated with the company, government or financial institutions involved and the project is submitted to the IFC's Board of Directors for approval.

B. The IFC Program in the Philippines

The IFC made a number of investments in the Philippines in FY 1987 and 1988 in the areas of capital market development, construction, shipbuilding, textiles, power, and telecommunications. These investments were the following:

- o First Philippine Capital Fund L.P., a closed-end mutual fund, was created to assist the Government in the execution of its Debt Conversion Program. The project will facilitate the conversion of specific country debt obligations into equity in local enterprises. A US investment firm acts as manager. Project cost: \$250 million of which \$12.5 million is equity.
- o Atlantic Gulf and Pacific Company of Manila, Inc. (construction). The IFC approved a \$10 million bonding

facility for construction contracts requiring foreign exchange guarantees.

- o Cebu Shipyard and Engineering Works, Inc., (shipbuilding). The IFC participated in the comprehensive financial restructuring of this company with a \$0.50 million equity investment for a total project cost of \$0.53 million.
- o Kewalram Philippines, Inc. (textiles). The IFC approved a \$2.99 million equivalent guarantee for loans made in local currency. The company will build a spinning mill to manufacture 3,300 tons per year of blended yarn from polyester and rayon fibers. The yarn will be sold locally for use in the production of knitted garments for domestic and export markets.
- o Manila Electric Company (MERALCO) (electricity distribution). The IFC approved a loan of approximately \$32 million to assist in the \$313 million expansion of MERALCO's network and the replacement of aging facilities. The company distributes electricity in the city and suburbs of Manila, and plans to expand and upgrade its primary and secondary distribution systems. The project is expected to improve the quality of service and reduce system losses. This project complemented World Bank activities in the power sector.
- o Philippine Long Distance Company (PLDT) (telecommunications). The IFC provided PLDT with a \$24 million loan to assist the company in its \$95.8 million program, which includes the installation of a modern digital switching system. In addition, IFC is advising PLDT on ways to access the international financial markets for a major new expansion.

In addition, the IFC provides foreign investment advisory services in the Philippines and, in the past, has performed a wide range of services in the country, including corporate restructurings, financial engineering, structuring financial and operational plans, and analysis of alternative capital investment programs.

As of June 30, 1988, the IFC's investment portfolio in the Philippines amounted to \$78.9 million in loans and \$13.5 million in equity for a total investment of \$92.4 million in the following companies:

- o Acoje Mining Company, Inc. (energy and mining)

- o All Asia Capital and Leasing Corporation (capital markets)
- o BPI Agricultural Development Bank (development financing)
- o Cebu Shipyard and Engineering Works, Inc. (shipbuilding)
- o Davao Union Cement Corporation (cement and construction materials)
- o First Philippine Capital Fund L.P. (capital market)
- o General Milling Corporation (food and agribusiness)
- o Maria Cristina Chemical Industries, Inc. (iron and steel)
- o NDC-Guthrie Plantations, Inc. (food and agribusiness)
- o Philippine Associated Smelting and Refining Corporation (energy and mining)
- o Philippine Long Distance Company (tourism and services)
- o Pure Foods Corporation (food and agribusiness)
- o Ventures in Industry and Business Enterprises, Inc. (capital markets)

VIII. MULTILATERAL INVESTMENT GUARANTEE AUTHORITY

A. General Business Services

The Multilateral Investment Guarantee Authority (MIGA), the newest member of the World Bank Group, is dedicated to promoting foreign investment in developing countries by providing:

- o guarantees to foreign investors against a range of political and legal risks; and
- o advisory and investment promotion services to developing member countries on means to improve their attractiveness to foreign investment and to increase investor awareness of opportunities in these countries.

1. Guarantee Program (Political Risk Insurance)

MIGA offers guarantees (insurance) against loss caused by non-commercial risks to eligible investors on qualified investments in developing member countries.

Four main types of guarantees are available:

- o **Currency Transfer:** Protects against losses resulting from changes in exchange controls affecting the conversion of local currency into freely usable currency.
- o **Expropriation:** Protects the investor against losses incurred due to government measures which deprive the investor of ownership or control of his or her investment. Both direct and "creeping" expropriation are covered.
- o **War, Revolution and Civil Disturbance:** Protects against losses from damage to physical assets and business interruption arising from a military action or civil disturbance in the host country.
- o **Breach of Contract:** Protects the investor against losses resulting from a repudiation or breach by the host government of a contract.

These guarantees can be purchased individually or as a package.

a. Premium Rates and Duration of Coverage

Premium rates are determined separately for each project and are dependent on MIGA's assessment of several variables, including the type of guarantee requested and the type of

project to be insured. Rates for each type of risk range from 0.3 to 1.5 percent of the amount of guarantee per annum. If the applicant chooses to buy a "package" of guarantees, MIGA may give a discount on the sum of the individual rates.

The Contract of Guarantee is normally issued for a maximum of 15 years, but can be extended to 20 years in special circumstances. The contract may be terminated by the investor at any time after the third year of the contract. MIGA cannot terminate the contract except in the case of non-payment of premiums.

b. Eligible Investments

MIGA insures new investments between member countries where the investment project is located in a developing country. (Not all developing countries are members. The Philippines has signed the MIGA agreement, but has not ratified it, i.e. paid its share of the agency's capital.) Both equity as well as loans and loan guarantees made by equity holders are eligible for MIGA coverage. In addition, some non-equity forms of direct investment are also eligible, such as technical and management contracts, and franchising and licensing agreements, provided that they have terms of at least three years and the contractor-investor's remuneration will depend substantially on the assisted project's operating results.

MIGA can insure up to 90 percent of the investment amount, subject to a project limit, currently set at \$50 million. There is no minimum investment amount required.

c. Eligible investors

Eligible investors must be nationals of a member country, while a corporation is eligible for coverage if it is either incorporated in and has its principal place of business in a member country, or if it is majority-owned by nationals of member countries. State owned enterprises are eligible if they operate on a commercial basis.

MIGA's Board of Directors may extend eligibility to investors who are nationals of the proposed host country of an investment if they finance the investment with resources transferred from abroad.

d. How to Obtain a Guarantee

Issuance of a MIGA Contract of Guarantee is a three step process, requiring (1) the submission and approval of a Preliminary Application for Guarantee; (2) the submission

and approval of a Definitive Application for Guarantee; and
(3) Host Government Approval.

If the investment and investor are provisionally eligible, Definitive Application for Guarantee is sent to the investor. The Definitive Application provides information for MIGA to determine investor, investment and project eligibility, including: details of the investment to be insured, the types of guarantees desired; the economic and developmental effects of the project on the host country and data detailing the economic viability of the project.

Before MIGA can issue a Contract of Guarantee the approval of the host government must be obtained. This is normally requested by MIGA, and the request will not be initiated until the investor so authorizes.

e. Further Information

Contact Mr. Leigh P. Hollywood, Vice-President, Guarantees, at the following address: MIGA, 1818 H St., N.W., Washington, D.C. 20433, Phone: (202) 473-6168, Fax: (202) 334-0265.

2. Advisory and Promotional Services

Operating under MIGA's Policy Advisory Service (PAS) department, MIGA provides both an investment advisory service to developing country member countries and investment promotion activities.

In cooperation with the IFC, MIGA operates the Foreign Investment Advisory Service (FIAS). FIAS provides technical assistance to developing country governments on how to improve the climate for foreign investment both through policy reforms and institutional changes.

Promotional activities include the organization and partial financing of investment missions of potential foreign investors to member developing countries. These missions are designed to inform foreign investors of the opportunities in developing countries and to put them in contact with potential partners and suppliers, as well as relevant government officials.

Requests for these advisory and promotional services should be directed to Mr. Ghassan El-Rifai, Vice-President, Policy Advisory Services at the above address and telefax number. Mr. El-Rifai's telephone number is (202) 473-6162.

B. The MIGA Program in the Philippines

Because MIGA has not been ratified by the Philippines, the program in that country is inactive at the present time. Nevertheless, MIGA has a number of pending proposals under the guarantee program for political risk insurance for branch banking and debt/equity projects. Details on these project proposals are, however, confidential.